

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00 DOTE-00

EB-07 INR-05 NSAE-00 RSC-01 FAA-00 ACDA-05 IO-10

PM-03 H-01 L-02 NSC-05 PA-01 PRS-01 SP-02 SS-15

SSO-00 NSCE-00 INRE-00 USIE-00 NIC-01 SAJ-01 TRSE-00

EURE-00 /075 W

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O R 131730Z DEC 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 6818

INFO USMISSION USBERLIN

AMEMBASSY BERLIN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY MOSCOW

C O N F I D E N T I A L SECTION 01 OF 02 BONN 19232

E.O. 11652: GDS

TAGS: PFOR, EAIR, WB, US, UK, FR, GW

SUBJECT: US/UK CONSULTATIONS ON BERLIN AIR SERVICES

REF: A) STATE 252944

B) BONN 17827

C) USBER 2056

D) STATE 246088

E) STATE 37008, FEB 1973

SUMMARY: THIS MESSAGE CONTAINS EMBASSY'S THOUGHTS ON
TACTICS AND SUBSTANCE RE DEC 18 US/UK IGS CONSULTATIONS
IN WASHINGTON, AS REQUESTED REFTEL A. END SUMMARY.

1. GENERAL. OUR POINT OF DEPARTURE IS THE PRIMARY
ALLIED OBJECTIVES WITH REGARD TO BERLIN AIR ACCESS AS
SET OUT REFTEL E: 1) MAINTENANCE OF INTEGRITY AND
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SPECIAL STATUS OF AIR CORRIDORS; 2) MAINTENANCE OF

VIALE COMMERCIAL ALLIED SERVICE THRU THE CORRIDORS; AND
3) PROVISION OF GOOD AND CONVENIENT AIR PASSENGER
SERVICE FOR WEST BERLIN. TO THESE WE WOULD ADD A
FOURTH--A POLITICAL--POINT: CORRIDOR AIR SERVICES ARE
PERCEIVED BY WEST BERLINERS AS ONE SIGN OF CONTINUING
ALLIED ROLE IN MAINTAINING VIABILITY OF CITY; WE SHOULD
BE VERY CAREFUL TO ENSURE THAT ANY ACTIONS ALLIES MIGHT
TAKE WITH REGARD TO AIR SERVICES ARE NOT PERCEIVED AS
DECLINE IN ALLIED INTEREST IN OR COMMITMENT TO BERLIN.
WHILE CARRIERS HAVE RIGHT TO EARN PROFIT IN EXCHANGE
FOR THEIR SERVICES, COMMERCIAL INTERESTS MUST NOT SEEM
TO GERMANS TO BE THE ONLY FACTOR IN DETERMINING ALLIED
ACTIONS RE THE IGS. IN PRESENT SITUATION OBJECTIVE
LISTED ABOVE AS NUMBER 1, PRESERVING INTEGRITY OF CORRI-
DORS, DOES NOT APPEAR TO BE AT STAKE (AT LEAST FOR NOW).
ALL OF THE OTHERS, HOWEVER, CERTAINLY ARE. MAINTENANCE
OF VIALE COMMERCIAL SERVICES THRU THE CORRIDORS COULD
BE AFFECTED, IN THE NARROW SENSE, IF BA WERE TO DECIDE
TO DROP OUT BECAUSE OF FINANCIAL LOSSES, AND COULD BE
MORE FUNDAMENTALLY AFFECTED IF TOO HIGH FARE LEVELS
WERE TO PRICE IGS FLIGHTS OUT OF THE MARKET, PROBABLY
RESULTING IN A RAPID DOWNWARD SPIRAL OF FREQUENCIES AND
PASSENGERS UNTIL A FLOOR WERE REACHED OF THE RELATIVELY
SMALL NUMBER OF LARGELY BUSINESS AND GOVERNMENT TRAVEL-
ERS WHO WOULD CONTINUE TO FLY. THE AIM OF GOOD AND
CONVENIENT SERVICE COULD BE AFFECTED THE SAME WAY, AND
A DECLINE IN ABILITY TO MEET BOTH OF THESE OBJECTIVES
WOULD UNDOUBTEDLY HAVE NEGATIVE EFFECT ON OUR POLITICAL
OBJECTIVE.

2. THE ECONOMIC ANALYSIS OF THE IGS WORKED UP FOR THE
DEC 18 CONSULTATIONS (BONN 18961 AND 19072) CONFIRMS
WHAT HAS LONG BEEN EVIDENT: PAN AM RUNS A MORE
EFFICIENT AND MORE PROFITABLE OPERATION. THE QUESTION
THUS REMAINS THE SAME AS IT WAS ONE YEAR AGO: TO WHAT
EXTENT SHOULD CONCESSIONS (FARE
INCREASES NOT REQUIRED BY PAN AM, RATIONALIZATION, ETC)
BE MADE TO BA WHICH 1) MAY ADVERSELY AFFECT PAN AM
IMMEDIATELY AND DIRECTLY, AND 2) WHICH MIGHT HAVE THE
SERIOUS LONGER RUN EFFECT OF KICKING OFF A DOWNWARD
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SPIRAL IN PASSENGERS AND FREQUENCIES. IT SEEMS TO US TO
BE DESIRABLE TO HAVE AT LEAST TWO ALLIED CARRIERS FULLY
ENGAGED IN THE IGS BUT WE AGREE WITH USBER THAT
PAN AM'S MORE EFFICIENT OPERATION SHOULD NOT BE EXPECT-
ED TO BEAR THE BURDEN OF BA'S DIFFICULTIES.

3. UK DCM HIBBERT (WHOSE PET PROJECT THE DEC 18 CONSUL-
TATIONS REPORTEDLY ARE) HAS TOLD US THAT THE BRITISH

WILL FOCUS PARTICULARLY ON RATIONALIZATION, FARE LEVELS,
AND SUBSIDIES. GIVEN HIBBERT'S REFERENCE TO PRESENTING
BONN WITH "HARD CHOICES" (PARA 3 REFTEL B) AND OTHER
INDICATIONS, WE BELIEVE THE BRITISH MAY ATTEMPT TO DRAW
US INTO A JOINT APPROACH TO THE FRG ON A LONG-TERM
PACKAGE DEAL, THE APPROACH TO BE MADE AND NEGOTIATED OUT
PRIOR TO THE MARCH 75 BERLIN ELECTIONS DURING A PERIOD
WHEN BONN AND BERLIN COULD PERHAPS ILL AFFORD POLITICAL-
LY TO ACCEPT BROAD CUTS IN IGS SERVICES OR EVEN PERHAPS

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 19232

BA LEAVING THE IGS. AS NOTED IN THE SAME REFTEL, WE
HAVE SERIOUS DOUBTS ABOUT BECOMING INVOLVED IN SUCH A
GAME.

4. ON THE POINTS NOTED ABOVE BY HIBBERT, WE WOULD SUGGEST THAT THE FOLLOWING BE CONSIDERED: A) FARE LEVELS AND RATIONALIZATION ARE ESSENTIALLY A QUESTION IN THE FIRST INSTANCE OF WHAT THE CARRIERS NEED; IT WOULD BE WELL TO BE CAREFUL TO AVOID BEING PUT IN A POSITION OF INSTRUCTING PAN AM ON THESE ITEMS, AND WE SHOULD NOT BECOME IDENTIFIED WITH ANY FARE INCREASE NOT SUPPORTABLE BY PAN AM'S ECONOMIC DATA; B) WE SHOULD NOT BE INTIMIDATED BY IMPLIED OR EXPLICIT THREATS THAT BA WILL QUIT THE IGS UNLESS WE MAKE CONCESSIONS; C) WE SHOULD BE WILLING TO PARTICIPATE IN A JOINT APPROACH
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TO THE FRG FOR A DIFFERENT SUBSIDY ARRANGEMENT--PERHAPS ONE WHICH WOULD ESTABLISH A FLOOR--BUT SUCH AN APPROACH WOULD HAVE TO BE SUPPORTED BY HARD ECONOMIC DATA; AND D) THE FRENCH MUST NOT CONTINUE MUCH LONGER TO BE EXCLUDED FROM CONSIDERATION OF IGS FUTURE. SINCE WE ARE NOT OVERLY OPTIMISTIC THAT BONN WILL COME THROUGH WITH INCREASED SUBSIDIES, THE PROBLEM REVERTS BACK TO QUESTION: CAN A SOLUTION BE FOUND TO BA IGS ECONOMIC PROBLEMS WHICH WILL NOT WORK TO DISADVANTAGE OF US OBJECTIVES AND PAN AM INTERESTS REGARDING BERLIN AIR BY REINFORCING ALREADY-EXISTING DOWNWARD TREND IN PASSENGERS. SHORT OF INTERNAL BA MEASURES, WE ARE NOT OPTIMISTIC.
HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BERLIN AIR ACCESS, AIR ROUTES, AIR SCHEDULES, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN19232
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740362-1015
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741238/aaaabggh.tel
Line Count: 200
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 74 STATE 252944
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 06 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 MAY 2002 by boyleja>; APPROVED <27 MAR 2003 by CunninFX>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: US/UK CONSULTATIONS ON BERLIN AIR SERVICES
TAGS: PFOR, EAIR, WB, US, UK, FR, GE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005